

Message Text

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53

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

----- 026733

O R 281308Z SEP 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 2523

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

EC BRUSSELS

AMEMBASSY CAIRO

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

US MISSION NATO 21

AMEMBASSY NEW DELHI

AMEMBASSY QUITO

AMEMBASSY PARIS

OECD PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

C O N F I D E N T I A L JIDDA 6626

EXDIS

E.O. 11652: GDS

TAGS: ENRG, SA, US, OPEC

SUBJECT: LETTER FROM PRESIDENT FORD TO KING KHALID ON OIL
PRICES

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REF: (A) JIDDA 6588

(B) JIDDA 6526
(C) VIENNA 8283

SUMMARY: EMBASSY BELIEVES SAUDI ARABIA PLAYED A DECISIVE AND CONSTRUCTIVE ROLE AT OPEC CONFERENCE IN VIENNA. WITHOUT SAUDI WILLINGNESS TO STONEWALL ALMOST TO THE END, PRESSURES FROM THE OTHER OPEC PRODUCERS WOULD ALMOST CERTAINLY HAVE RESULTED IN A PRICE RISE SUBSTANTIALLY GREATER THAN 10 PERCENT. RECOMMEND USG PUBLICLY MAKE SOME FAVORABLE MENTION OF SAG'S ROLE AND THAT LETTER OF APPRECIATION BE SENT FROM PRESIDENT FORD TO KING KHALID. DRAFT FOLLOWS.
END SUMMARY.

1. THE 10 PERCENT INCREASE IN THE PRICE OF OIL BY OPEC PRODUCERS IS GREATER THAN WE HAD DESIRED. WE THINK HOWEVER SOME COMPLIMENTS ARE IN ORDER. THE SAUDI POSITION WAS TO HOLD OUT FOR A MAXIMUM 5 PERCENT INCREASE NOW--ALTHOUGH THEY WERE PREPARED TO ACCEPT A FURTHER 5 PERCENT INCREASE IN DECEMBER 1976. THE PRESENT AGREEMENT--TO BE VALID FOR THE NEXT NINE MONTHS--IS THUS CLOSE TO THEIR ORIGINAL FALLBACK POSITION. IT IS VERY MUCH LESS THAN WHAT A NUMBER OF OTHER OPEC MEMBERS, NOTABLY LIBYA, IRAQ, IRAN AND NIGERIA WERE DEMANDING.

2. TO THOSE OF US WHO RECALL THE WEAKNESS AND CONSTRAINT THAT CONSERVATIVE ARAB STATES HAVE FOR YEARS SHOWN TO RADICAL DEMANDS, THE ROLE OF SAUDI ARABIA IN VIENNA WAS A MARKED DEPARTURE FROM PRECEDENT. BOTH OVERT AND CLANDESTINE REPORTING INDICATES THE SAG BEHAVED RESPONSIVELY. ITS PETROLEUM MINISTER AHMAD ZAKI YAMANI LIKEWISE REMAINED FIRM, UNAPOLEGITIC, AND UNPERTURBED, EVEN WHEN FACED BY VARYING DEGREES OF OPPOSITION FROM ALL HIS OPEC FELLOW MINISTERS. IT SEEMS TO US THAT THE SAUDI WILLINGNESS TO DEMAND A REASONABLE AND MODERATE OIL PRICING POLICY SHOWED POLITICAL COURAGE NOT UNLIKE THAT OF PRESIDENT SADAT IN SINAI II.

3. WE UNDERSTAND THAT THE SECRETARY HAS COMMENTED THE INCREASE WAS NOT AS BAD AS IT MIGHT HAVE BEEN, AND THAT SECRETARY SIMON HAS PRAISED THE POSITION TAKEN BY THE CONFIDENTIAL

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SAG. IT WOULD BE APPROPRIATE, HOWEVER, AND WOULD BE APPRECIATED BY THE SAG IF PRESIDENT FORD COULD WRITE KING KHALID A LETTER COMMENDING THE COURAGE AND RESPONSIBILITY OF HIS GOVERNMENT AT THE RECENT OPEC DISCUSSIONS IN VIENNA. ANY PUBLIC APPRECIATION OF THE SAG'S ROLE THAT EITHER THE PRESIDENT OR THE SECRETARY COULD MAKE WOULD ALSO BE GOOD. A SUGGESTED LETTER FROM THE PRESIDENT TO KING KHALID FOLLOWS:

BEGIN TEXT: YOUR MAJESTY:

I HAVE BEEN FOLLOWING WITH CLOSE ATTENTION AND CONCERN THE RECENT MEETINGS IN VIENNA BY REPRESENTATIVES OF THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES (OPEC) REGARDING A NEW POSTED PRICE FOR OIL. THE RESULT OF THE CONFERENCE WAS AN INCREASE THAT WAS SIGNIFICANTLY GREATER THAN WE BELIEVE WAS JUSTIFIED. IT WAS GREATER ALSO THAN THE POSITION FOR WHICH YOUR MAJESTY'S REPRESENTATIVE, HIS EXCELLENCY SHAIKH AHMED YAMANI, WORKED WITH DETERMINATION AND COURAGE. HAD IT NOT BEEN FOR THE RESOLVE AND LEADERSHIP OF YOUR MAJESTY'S GOVERNMENT, I AM CERTAIN THE INCREASE IN THE PRICE OF OIL WOULD UNDOUBTEDLY HAVE BEEN MUCH GREATER. THE DAMAGE TO THE ECONOMIES OF THE INDUSTRIALIZED FREE WORLD AND THE DEVELOPING NATIONS COULD HAVE BEEN EXTREMELY SERIOUS.

I WOULD LIKE TO EXPRESS MY APPRECIATION FOR THE CONSTRUCTIVE LEADERSHIP WHICH YOUR MAJESTY GAVE ON THIS OCCASION TO AN ISSUE OF GREAT IMPORTANCE TO THE WELL-BEING OF THE FREE WORLD'S ECONOMY. IT IS MY SINCERE HOPE FOR THE SAKE OF SO MUCH OF MANKIND, THAT THE EXISTING SPIRIT OF COOPERATION AND UNDERSTANDING BETWEEN OUR TWO GOVERNMENTS ON ENERGY AND OTHER MATTERS WILL CONTINUE AND INCREASE.

WITH ALL GOOD WISHES, SINCERELY, /S/ GERALD R.
FORD. END TEXT.
AKINS

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